

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

Docket No. 03-E-0106

**In the Matter of the Rehabilitation of
The Home Insurance Company**

VERIFIED PETITION FOR ORDER OF LIQUIDATION

1. Paula T. Rogers, Commissioner of Insurance for the State of New Hampshire (the "Commissioner"), as Rehabilitator of The Home Insurance Company (hereinafter referred to as "The Home") hereby petitions the Court pursuant to RSA 402-C:5, RSA 402-C:19 and RSA 402-C:20 for an order directing her to liquidate The Home, appointing her Liquidator of the company and entering the requested permanent injunctions. This Court has jurisdiction of this matter pursuant to RSA 402-C:5, RSA 402-C:19 and RSA 402-C:20.

2. The Commissioner states that she is the duly appointed and qualified Commissioner of Insurance of the State of New Hampshire.

3. The Home is a New Hampshire corporation with its statutory offices at 286 Commercial Street, Manchester, New Hampshire 03101-1138. The Home is a New Hampshire domiciled insurance company authorized by, licensed by, and subject to regulation by the New Hampshire Insurance Department ("Department").

4. In addition to its U.S. operations, The Home also has operations in Canada, the United Kingdom, and elsewhere.

5. The Home is currently under an Order of Rehabilitation entered by this Court on March 5, 2003.

6. Prior to the entry of the Order of Rehabilitation, The Home had been under an Order of Supervision issued by the Department on March 3, 1997.

7. The Commissioner has determined that The Home is insolvent within the meaning of RSA 402-C:3, XIV(b), and RSA 402-C:20, II, in that its assets do not exceed its liabilities plus the greater of the capital and surplus required by law or its authorized and issued capital stock. The liabilities of The Home include reserves required by law. The Rehabilitator engaged the national actuarial consulting firm Milliman USA to review The Home's reserves. A balance sheet for The Home as of December 31, 2002, reflecting Milliman USA's reserve evaluation is attached as Exhibit A. As The Home is insolvent in light of these reserves, the balance sheet now includes increased reserves for expenses and does not include non-tabular discounting.

8. The Commissioner has also determined that further attempts to rehabilitate The Home would be futile, within the meaning of RSA 402-C:19, I.

9. For these reasons, the Commissioner has determined that there exists a present necessity for the entry of an order of liquidation pursuant to RSA 402-C:19 and 20 and requests that this Court appoint the Commissioner, and her successors in office, as Liquidator of The Home in order to protect the interests of policyholders, creditors and the public.

10. The Commissioner states that in order to preserve the aforementioned interests and conduct a successful liquidation of The Home, all actions and other proceedings against The Home should be abated and terminated in accordance with RSA 402-C:28. Actions and proceedings against The Home were previously stayed by paragraph (g) of the Order of Rehabilitation, as amended.

11. A proposed liquidation order declaring The Home to be insolvent, appointing the Commissioner, and her successors in office, as Liquidator of The Home, and abating actions and proceedings against The Home accompanies this Petition and is consistent with the authority set forth in RSA 402-C.

12. A motion for order of notice and proposed order of notice setting forth the notice to be provided by the Liquidator, if appointed, of the liquidation order and claims filing deadline pursuant to RSA 402-C:26 and certain other procedures will be filed in advance of the hearing on this Petition.

13. The Rehabilitator reports that, pursuant to paragraph (h) of the Order of Rehabilitation, she has directed that payments on workers' compensation and automobile personal injury protection claims, and certain other hardship claims, continue during the pendency of this Petition so as to avoid undue hardship on the persons entitled to such payments and to avoid delays in payment due to the transfer of such claims to the appropriate guaranty funds, in the event the requested liquidation order is entered. The Rehabilitator reports that, pursuant to paragraph (h) of the Order of Rehabilitation, she has directed that payments on all other kinds of claims cease upon the filing of this Petition.

WHEREFORE, the Commissioner, pursuant to the provisions of RSA 402-C:5, RSA 402-C:19 and RSA 402-C:20, prays that this Court:

1. Enter a liquidation order for The Home pursuant to RSA 402-C:21 granting the following relief:

(a) A Declaration that The Home is insolvent;

(b) A Finding that sufficient cause exists for an order to liquidate The Home;

(c) An Order appointing Paula T. Rogers, Commissioner of Insurance for the State of New Hampshire, and her successors in office, as Liquidator of The Home;

(d) An Order directing the Liquidator to cancel all in-force contracts of insurance effective as of 30 days after the date of the Order;

(e) An Order directing that the Liquidator forthwith take possession of the assets of The Home and administer them under the orders of the Court and vesting the Liquidator with title to all of the property, contracts and rights of action and all of the books and records of The Home, wherever located and by whomever possessed;

(f) An Order directing the Liquidator to secure all of the assets, property, books, records, accounts and other documents of The Home (including, without limitation, all data processing information and records comprised of all types of electronically stored information, master tapes, source codes, passwords, or any other recorded information relating to The Home);

(g) An Order authorizing the Liquidator to transfer, invest, re-invest and otherwise deal with the assets and property of The Home so as to effectuate its liquidation;

(h) An Order authorizing the Liquidator to acquire, hypothecate, encumber, lease, improve, sell, transfer, abandon or otherwise dispose of or deal with any property of the insurer at its market value or upon such terms and conditions as are fair and reasonable without prior permission of the Court in the ordinary course of business;

(i) An Order prohibiting The Home and its directors, officers, employees, agents, and representatives from proceeding with the business of The Home, except upon the express written authorization of the Liquidator;

(j) An Order prohibiting The Home and its directors, officers, employees, agents, and representatives, and any persons acting in concert with The Home, from disposing, using, transferring or removing any property of The Home, without the express written authorization of the Liquidator, or in any way (i) interfering with the conduct of the Liquidator or (ii) interfering with the Liquidator's possession and rights to the assets and property of The Home;

(k) An Order prohibiting any bank, savings and loan association or other financial institution or other legal entity from disposing of or allowing to be withdrawn in any manner property or assets of The Home, except under the express written authorization of the Liquidator or by further order of this Court.

(l) An Order directing that all actions and all proceedings against The Home whether in this state or elsewhere shall be abated in accordance with RSA 402-C:28 and RSA 402-C:5, except to the extent the Liquidator sees fit and obtains leave to intervene;

(m) An Order directing that, to the full extent of the jurisdiction of the Court and the comity to which the orders of the Court are entitled, all persons are hereby permanently enjoined and restrained from any of the following actions:

(1) commencing or continuing any judicial, administrative, or other action or proceeding against The Home;

(2) enforcing any judgment against The Home or its property;

(3) any act to obtain possession of property of The Home or to exercise control over property of The Home;

(4) any act to create, perfect, or enforce any lien against property of The Home;

(5) any act to collect, assess, or recover a claim against The Home, other than the filing of a proof of claim with the Liquidator; and

(6) the setoff of any debt owing to The Home; provided, however, that notwithstanding anything in this Petition to the contrary, nothing herein is intended nor shall it be deemed to stay any right of setoff of mutual debts or mutual credits by reinsurers as provided in and in accordance with RSA 402-C:34;

(n) An Order seeking and requesting the aid and recognition of any Court or administrative body in any State or Territory of the United States and any Federal Court or administrative body of the United States, any Court or administrative body in any Province or Territory of Canada and any Canadian Federal Court or administrative

proceedings for The Home, or The Home's financial condition during the rehabilitation or liquidation proceedings;

(p) An order directing all persons in custody or possession of any property of The Home to turn over any such property to the Liquidator;

(q) An Order authorizing the Liquidator, in her discretion, to pay expenses incurred in the course of liquidating The Home, including the actual, reasonable, and necessary costs of preserving or recovering the assets of The Home, wherever located, and the costs of goods and services provided to The Home estate in this and other jurisdictions. Such costs shall include, but not be limited to: (1) reasonable professional fees for accountants, actuaries, attorneys and consultants with other expertise retained by the Department, the Commissioner or the Liquidator to perform services relating to the liquidation of The Home or the feasibility, preparation, implementation, or operation of a liquidation plan; (2) compensation and other costs related to representatives, employees or agents of The Home or its affiliates who perform services for The Home in liquidation; and (3) the costs and expenses of and a reasonable allocation of costs and expenses associated with time spent by Department personnel and New Hampshire Department of Justice personnel in connection with the rehabilitation and the liquidation of The Home;

(r) An Order directing that the Liquidator may employ or continue to employ, to delegate authority to and fix the compensation of such appropriate personnel, including actuaries, accountants, consultants, special counsel, and counsel in this and other jurisdictions, as she deems necessary to carry out the liquidation of The Home and its worldwide operations, subject to compliance with the provisions of RSA 402-C, the supervision of the Liquidator, and of this Court, and authorizing the Liquidator to

continue at her sole discretion to retain the services of Risk Enterprise Management Limited, subject to court approval;

(s) An Order authorizing the Liquidator to appoint, and determine the compensation and terms of engagement of, a special deputy to act for her pursuant to RSA 402-C:25, I.

(t) An Order stating that the actual, reasonable and necessary costs of preserving, recovering, distributing or otherwise dealing with the assets of The Home, wherever located, and the costs of goods or services provided to The Home estate under paragraph (i) of the Rehabilitation Order, during the Rehabilitation proceeding, and under applicable paragraphs of the Liquidation Order, during the Liquidation proceeding, will be treated as "costs and expenses of administration," pursuant to RSA 402-C:44, I;

(u) An Order authorizing and directing that the Liquidator work with any joint provisional liquidator or other person of comparable position appointed by a foreign tribunal with respect to all or any portion of the estate of The Home located outside the United States (the "foreign estates") for the purpose of preserving, recovering and incorporating into the domiciliary estate all assets of The Home located outside the United States, and authorizing the Liquidator to fund from the domiciliary estate the costs and expenses of administering the foreign estates;

(v) An Order directing that the Liquidator administer and make payments on all claims against The Home estate filed with the Liquidator in the domiciliary proceeding, including the claims of claimants residing in foreign countries (provided the assets of such foreign estate are transferred to the Liquidator), in accordance with New Hampshire's priority statute, RSA 402-C:44;

(w) An Order stating that the amounts recoverable by the Liquidator from any reinsurer of The Home shall not be reduced as a result of the prior rehabilitation proceeding or this liquidation proceeding or by reason of any partial payment or distribution on a reinsured policy, contract or claim, and each reinsurer of The Home is, without first obtaining leave of this Court, hereby enjoined and restrained from terminating, canceling, failing to extend or renew, or reducing or changing coverage under any reinsurance policy or contract with The Home. The Liquidator may, in her discretion, commute any contract with a reinsurer or reinsurers;

(x) An Order directing that, to the full extent of the jurisdiction of the Court and the comity to which the orders of the Court are entitled, all actions or proceedings against an insured of The Home in which The Home has an obligation to defend the insured are stayed for a period of six months from the date of the Order and such additional time as the Court may determine pursuant to RSA 404-B:18;

(y) An Order directing that, within one year of the entry of this Order, and then annually thereafter, the Liquidator shall file with the Court a financial report as of the preceding December 31, in accordance with RSA 402-C:21, V, which shall include, at a minimum, the assets and liabilities of The Home and all funds received or disbursed by the Liquidator during the period;

(z) An Order that the Liquidator shall have full powers and authority given the Liquidator under RSA 402-C of Title XXXVII, and under provisions of all other applicable laws, as are reasonable and necessary to fulfill the duties and responsibilities of the Liquidator under RSA 402-C of Title XXXVII, and under the Order, specifically including, but not limited to, each and every power and authority bestowed upon the

Liquidator under RSA 402-C:25, I-XXII, the provisions of which are incorporated by reference in their entirety into the Order, and the common law of New Hampshire;

(aa) An Order specifying that the deadline for the filing of claims pursuant to RSA 402-C:26, II, RSA 402-C:37, I, and RSA 402-C:40, II will be one year from the date of the Order; and

(bb) An Order directing that the proceedings initiated under RSA 402-C:15 for The Home are hereby terminated.

2. Grant further and other relief as this Court may deem just and proper under the circumstances.

Respectfully submitted,

NEW HAMPSHIRE INSURANCE
DEPARTMENT
PAULA T. ROGERS, COMMISSIONER

By her attorneys

PETER W. HEED, ATTORNEY GENERAL

Peter C.L. Roth
Senior Assistant Attorney General
Environmental Protection Bureau
NEW HAMPSHIRE DEPARTMENT OF JUSTICE
33 Capitol Street
Concord, N.H. 03301-6397
(603) 271-3679

Of Counsel:
J. David Leslie
Eric A. Smith
Rackemann, Sawyer & Brewster
One Financial Center
Boston, MA 02111
(617) 542-2300

Dated: May ___, 2003

STATE OF NEW HAMPSHIRE
COUNTY OF MERRIMACK

Paula T. Rogers, being duly sworn, says that she is the duly appointed and qualified Commissioner of Insurance of the State of New Hampshire and Plaintiff in this matter and that the facts and allegations made in this Petition are true and accurate to the best of her knowledge and belief.

Paula T. Rogers

Subscribed and sworn to, before me, this _____ [th/d] day of May, 2003

Notary Public/Justice of the Peace